MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2021/2022

DEC5614 – INTRODUCTORY MICROECONOMICS

(All sections/Groups)

27 APRIL 2022
9.00 A.M – 11.00 A.M
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 3 pages.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

Two wizards are arranging a trade together. Merlin can brew 30 potions or 5 elixirs in a day and Dumbledore can brew 50 potions or 15 elixirs in day. In his average days, Merlin can brew 5 potions and 5 elixirs in a day whilst Dumbledore spent his day with 15 potions and 15 elixirs.

(a) Draw a diagram consist of two production possibilities frontiers for both Merlin and Dumbledore. (6 marks)

(b) Identify who has comparative advantage in producing the potions and elixirs by completing Table 1 below. (4 marks)

	Opportunity cost of producing one potion	**Opportunity cost of producing one elixir**
Merlin		
Dumbledore		

Table 1

(c) Complete the table 2 to determine the gains from trade. (20 marks)

	Merlin	**Dumbledore**
Before trade Potions Elixir		
Specialisation Potions Elixir		
Trade Potions Elixir		
After Trade Potions Elixir		
Gains from trade Potions Elixir		

Table 2

(Total: 30 marks)

QUESTION 2 **Continued …**

	Mr Kim's Steamed Sweet Corn		Mr Ho's Steamed Sweet Potato	
Price per unit	**Quantity demanded**	**Quantity supplied**	**Quantity demanded**	**Quantity supplied**
RM2	60	50	30	65
RM2.80	45	80	70	90

Table 3

Mr Kim sells steamed sweet corn at Jonker Street Night Market. Table 3 above is the records of quantity demanded and supplied for his steamed sweet corn out of his observation.

(a) Determine the value and type of the steamed sweet corn's price elasticity of demand. (6 marks)

(b) Determine the value and type of the steamed sweet corn's price elasticity of supply. (6 marks)

(c) He noticed that, when the government announced for RM500 of Covid-19 Relief for household, the quantity demanded for his steamed sweet corn increased by 20 units at every price levels. What is the income elasticity of demand for his steamed sweet corn? Explain whether the steamed sweet corn considered as normal good or inferior good? (6 marks)

(d) Determine the cross elasticity of demand between Mr Kim's steamed sweet corn's change of price and Mr Ho's steamed sweet potato's change of quantity demanded. What is the relationship between the steamed sweet corn and steamed sweet potato? (6 marks)

(e) Supposed the recent flash floods in Kelantan has impacted Mr Kim's supply source of fresh corn. Explain what will happen to Mr Kim's supply for his steamed sweet corn. Draw a suitable diagram for your answer. (8 marks)

(f) State any TWO (2) factors contributing to the increase in demand for Mr Kim's steamed sweet corn. (2 marks)

(Total: 34 marks)

QUESTION 3

Continued …

$$40Q_A + 10Q_B = 160$$

(a) Calculate;

(i) Real income in terms of good A. (3 marks)

(ii) Real income in terms of good B. (3 marks)

(iii) Relative price of good A in terms of good B. (3 marks)

(b) If price of good A decreased to RM20, draw a budget line showing the change in the price of good A. (6 marks)

(Total: 15 marks)

QUESTION 4

Table 4 below shows the production cost of a firm producing kids' tricycles for 5 years. Assume that the firm is experiencing a short-run technological constraint.

(a) Calculate the firm's average product and marginal product at every level of production. Complete table 4 for the average product and marginal product. (9 marks)

(b) Supposed the firm need to pay RM100 per worker and RM210 for machine rental. Complete table 4 for the average short-run production cost. (10 marks)

Year	L_Q	TP	AP	MP	AFC	AVC	ATC
2012	4	56		-	3.75		
2013	5	75				6.67	
2014	6	90				6.67	
2015	7	98				7.14	
2016	8	104					9.71

Table 4

(*Student is required to copy this table and fill in the answer in the table).*

(c) What happened to the marginal productivity when the firm keep increasing the labor? (2 marks)

(Total marks: 21 marks)

(Total: 100 marks)

End of Paper